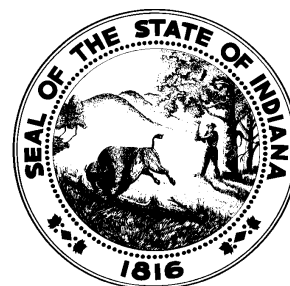




ACTIVE MEMBER'S HANDBOOK

(REVISED AUGUST 2001)



Indiana State Teachers' Retirement Fund

TABLE OF CONTENTS

Foreword	4
Mission and Core Values	5
Definitions	5
Membership	6
General Information	
Documents to Submit	
Making Changes to Your Account	
Annuity Savings Account	7
Investing Annuity Savings Account Money	
Quarterly Statements	
Service Credit	8
Indiana Service Credit for Vesting	
Regular Indiana Teaching Service	
Approved Leaves of Absence	
PERF-Covered Service	
Additional or Enhancement Service Credit	
Military Service Credit	
Out-of-State Service Credit	
Private School Service	
Retirement Benefits	12
General Description of Benefits	
Accrual Date	
Pensions and Social Security	
Retirement Eligibility	13
Normal Retirement Eligibility	
Early Retirement Eligibility	
Access to Fund Files and Records	14
Member Access to Files	
Public Access to Fund Records	
Marriage Dissolutions by Fund Members	14
Qualified Domestic Relations Orders (QDROs)	
Requests for Information	
Procedures	
Who is responsible for these cases?	
Information	
Withdrawing From the Fund	15
Who is Eligible to Withdraw	
Suspension of Membership and Interest	
Rejoining the Fund and Restatement of Service Credit	
Federal Withholding on Withdrawals	
How Does a Member Withdraw?	
Disability	16
Classroom Disability Benefit	

Disability Retirement	
Confirming Social Security Eligibility	
Death Payments on Active Member Accounts	18
Member's Surviving Spouse or Dependents May Be Entitled to a Monthly Benefit	
Fund Payments to a Trust	
Detailed Tax and Financial Advice	
Death Payments on Inactive Member Accounts	20
Who May Act for the Member	20
Power of Attorney	
Guardians	
Trusts	
Settling Disputes	21
Health Insurance	21
Other Fund Services	21

Foreword

Retirement funding for teachers was initially provided on a local basis by the Acts of 1915, Chapter 182. In 1921, the Indiana General Assembly created the Indiana State Teachers' Retirement Fund (Fund). Since its establishment, the laws governing the administration of the Fund have changed and expanded to respond to the needs of our members.

This handbook for active members of the Fund is designed to provide a better understanding of the rights and responsibilities of those Indiana educators who are enrolled as members of the Fund. While this handbook gives a broad overview of the Fund, members with more complex questions should contact the Fund at:

Indiana State Teachers' Retirement Fund
150 West Market Street, Suite 300
Indianapolis, IN 46204-2809

Telephone: (317) 232-3860 / Toll-Free (888) 286-3544
FAX (317) 232-3882
TTY/TDD (317) 233-3306
e-mail: trf@state.in.us
Internet Home Page: <http://www.in.gov/trf/>

The 2000-2001 Indiana General Assembly bases information in this handbook for active members on the laws and resolutions governing the Fund, including amendments adopted. The Indiana Code, sections 5-10.2 and 21-6.1, Title 550 of the Indiana Administrative Code govern the Fund, and specific resolutions adopted by the Fund's Board of Trustees. If any differences exist between the governing laws and resolutions of the Fund and information found in this handbook, the laws and resolutions shall govern the resolution of the discrepancy.

The Fund is overseen by a five-member Board of Trustees (Board) appointed by the Governor. Two of the Trustees must be Indiana educators eligible to be members of the Fund. A Director appointed by the Governor carries out the policies set by the Board and administers the Fund on a daily basis. Pursuant to Indiana law, the Director is also required to be a member of the Fund.

Although the Board establishes investment policies, Indiana law places restrictions on the investment of the Fund's assets. At all times, the Fund must invest its assets in accordance with the "Prudent Investor" standard. Under this standard, investment decisions are based upon the same degree of care that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a similar character with similar aims.

Mission and Core Values

In the July 2000 meeting, the Board adopted a new mission statement and core values for the Fund. Our mission is...

“To prudently manage the Fund in accordance with fiduciary standards, provide quality benefits, and deliver a high level of service to our members, while demonstrating responsibility to the citizens of the State.”

In striving to achieve this mission, the Fund has pledged to uphold the following eight core values:

- 1. Professionalism, respect and compassion in dealing with others;**
- 2. Diversity, both of ideas and people;**
- 3. Open communication, collaboration, and cooperation;**
- 4. Integrity and the avoidance of conflicts of interest;**
- 5. Courtesy and timeliness;**
- 6. Accountability;**
- 7. Innovation and flexibility;**
- 8. Commitment to and focus on our mission.**

Definitions

Annuity Savings Account:

This term refers to the member's individual Annuity Savings Account with the Fund. The contents of this account are all of the employee share contributions, employer pickup contributions, and voluntary contributions plus any interest earned by the member through investment. Members may make investment choices with respect to the money in this account.

Employee Contributions:

All active members of the Fund are required by law to contribute three-percent [3%] of their annual compensation to their individual Annuity Savings Accounts. This contribution may also be referred to as the “employee contribution.” If this contribution is paid by the employer on behalf of the employee, the Fund refers to the contribution as an “Employer Pickup.”

Employer Pickup:

This term refers to the employee share of the contribution to the individual's Annuity Savings Account. When the employer contributes the employee share on behalf of the employee, it is known as an “Employer Pickup.”

Employer Share:

This term refers to that percentage of the salaries of members who are enrolled in the 1996 Account that must be contributed by the employer. This percentage is determined annually by the Board. These funds are not part of the Annuity Savings Account.

Fund, "TRF," "ISTRF":

All of these terms refer to the Indiana State Teachers' Retirement Fund.

Membership

General Information

All regularly employed and legally qualified teachers who serve in the public schools of Indiana must be members of the Fund. Included in the Fund are certain faculty and staff at Vincennes University, Ball State University, Indiana State University, and the University of Southern Indiana (although these individuals may have the option of selecting the Fund or an alternate University plan). Some legally qualified State employees may also be eligible for enrollment in the Fund. Teacher aides and higher education graduate assistants are not eligible for membership in the Fund. In addition, substitute teachers must meet specific qualification and service criteria before becoming eligible for membership in the Fund.

Documents to Submit

Educators who are enrolling in the Fund must complete an "Enrollment Form for New Members." [State Form 37680] This form is available from our Internet home page [<http://www.in.gov/trf>] or by contacting our Member Service Center. While submitting an "Enrollment Form for New Members," educators must submit a valid birth certificate. Pursuant to Rule 2-7-3 of Title 550 of the Indiana Administrative Code, the Fund is not permitted to pay retirement benefits to members who have not submitted sufficient proof of their date of birth. In lieu of submitting a valid birth certificate, this proof can be satisfied by providing the Fund with one of the following:

- A copy of a "Certificate of Birth Registration" signed by the health officer of the county or state where the birth occurred;
- A copy of a valid United States of America Passport;
- An executed "Proof of Birth" affidavit in the form prescribed by the Fund and a copy of a photo identification card such as a state-issued driver's license or identification card; OR
- Other evidence relating to the member's date of birth that may be submitted to the Board for approval and acceptance.

All Fund members will receive an account number upon the acceptance of their application. This account number is assigned to the member on a permanent basis. Even if members leave employment in a Fund-covered position for an extended period of time, their account number will remain the same should they return to service in a Fund-covered position.

Making Changes to Your Account

Fund members often need to make changes to their account information. Events that may precipitate a change in account information include:

- Change of Address

- Change to Beneficiary Designations
- Change of Name
- Change to Asset Allocation Strategy in a member's individual Annuity Savings Account

The Fund has created specific forms for these purposes. To protect the security of the member's account and to reduce the amount of paperwork in a member's file, the Fund requires members to use these forms for any changes to become effective. A member can obtain Fund forms from our Internet home page or by contacting the Fund directly via telephone, e-mail, or written correspondence.

Annuity Savings Accounts

Upon a member's enrollment into the Fund, an individual Annuity Savings Account will be established for the member. The Annuity Savings Account is comprised of all employee contributions and employer pickup contributions. Earnings are credited to a member's account at the end of every quarter.

All Fund members are required by state law to contribute three-percent (3%) of their annual compensation to their Annuity Savings Account. This contribution can be made by the employer – "employer pickup." Active Fund members may also make voluntary contributions in excess of the mandatory amount to their Annuity Savings Account. The voluntary contributions must be made in one-percent increments up to a maximum of ten-percent (10%). Thus, the maximum amount of contributions that active members can make to their Annuity Savings Account is thirteen-percent (13%) of their annual compensation.

SPECIAL NOTE ABOUT VOLUNTARY CONTRIBUTIONS: The three-percent (3%) mandatory contributions to a member's Annuity Savings Account are "pre-tax" if picked up by the employer, meaning that these contributions are deducted prior to the taxation of a member's salary. However, the voluntary contributions are "post-tax," meaning that the voluntary contributions will be made after the taxation of a member's salary. Thus, the voluntary contributions will be taxable income to the member. Active members wishing to make voluntary contributions to their Annuity Savings Account should contact their payroll administrator for more details.

Investing Annuity Savings Account Money

The Indiana Constitution was amended in 1996 to provide Fund members with more investing options. The Fund staff has composed an informational pamphlet, "Investing Your Annuity Savings Account," for members to use in understanding the different investing options available to them. Please consult this pamphlet for detailed information concerning the available options and the necessary procedures for changing an investment portfolio. Members may obtain a copy of this pamphlet by either contacting the Fund or visiting the Fund's Internet home page.

As a result of the Public Referendum, the Fund now offers five investment options to our members:

Guaranteed Fund	The rate for this fund is determined annually by the Fund's Board of Trustees. The balance of each member's account at the beginning of the quarter is credited interest at the end of the quarter.
Bond Fund	This fund consists of a broad range of corporate, government, and agency instruments. It can have up to 10% in high yield bonds and up to ten-percent (10%) in non-U.S. fixed income instruments. The objective of the fund, over the long term, is to outperform the Lehman Brothers Aggregate Bond Index.

	Investment in this fund involves risk.
International Equity Fund	This fund consists of securities of developed non-U.S. countries. This fund's objective is, over the long term, to provide returns in excess of a broad international market index (EAFE: Companies from Europe, Australia and the Far East). Investment in this fund involves risk.
S&P 500 Index Fund	This fund closely tracks the return on the S&P 500 Index by employing an indexing strategy that invests in the stocks of the S&P 500 Index companies. Investment in this fund involves risk.
Small Cap Equity Fund	This fund consists of stocks with a market capitalization of less than \$1.5 billion. The fund's objective is, over the long term, to provide total returns in excess of the Russell 2000 Index Fund (2000 selected small capitalized public companies). Investment in this fund involves risk.

Quarterly Statements

After the end of each fiscal quarter, all members with a balance in their Annuity Savings Accounts and a current address on file with the Fund will receive a quarterly statement. You may also view your quarterly statement on our Internet Home Page over a secured connection. These statements indicate how your investment portfolio performed over the preceding quarter.

Important things to know about Quarterly Statements

- Members will receive the following components in their Quarterly Statements:
 - ◆ Statement reflecting member information
 - ◆ Reallocation form for use in selecting investment portfolio strategy
 - ◆ Investment rate summary sheet
- Members who do not keep their address current will not receive Quarterly Statements
- The Quarterly Statements contain an unaudited and unofficial record of a member's service credit. Service credit eligible for computing a retirement benefit will be determined officially only at retirement based on the service properly verified and based on applicable laws.
- The interest rate for the Guaranteed Fund is established on an annual basis by the Fund's Board of Trustees.
- The salary listed on the Quarterly Statement is for the period running from July 1 through the last day of the preceding quarter. These figures do not necessarily match the teacher's contract salary, which generally covers a different period.

Service Credit

Creditable service, also known as service credit, refers to the years of service that can be used to calculate the member's State-provided pension benefit. A member can earn creditable service in several different ways. However, there are two basic categories of creditable service:

- Indiana service credit for vesting that counts towards the member's 10 years of service necessary to be considered "vested" in the right to a retirement benefit, when otherwise eligible; and
- Additional or enhancement service credit, which cannot be recognized until a member has at least 10 years of Indiana service credit. After the 10 years of Indiana service credit has been satisfied, the additional or enhancement credit may be used to bolster a member's benefit.

Indiana Service Credit for Vesting

This type of service credit classification counts toward the member's 10-year vesting requirement under Indiana law. Three categories of service may be recognized and counted toward vesting: a.) regular Indiana teaching service, b.) approved leaves of absence, and c.) service in a position covered by the Public Employees' Retirement Fund.

Regular Indiana Teaching Service

This category includes not only regular contract teaching, but also includes homebound teachers, adult education teachers, vocational teachers, and substitute teachers who are eligible under Indiana law.

One year of creditable service is earned for 120 days of service worked in a state fiscal year (July 1 through June 30). 60 to 119 days of service worked in a state fiscal year earns one-half year of creditable service. An active member is entitled to one day of service credit if the member engages in covered service for a standard workday or any fraction thereof. Service arising out of jury duty may be included.

On occasion, a member will have served in a covered position in an Indiana public school without receiving service credit with the Fund. In the event that this circumstance arises, the member should contact the Fund for further assistance. It might be possible for the member to purchase this service. The Fund will send instructions to the member along with the necessary verification forms that the member may use to confirm earlier uncredited Indiana service credit. After confirmation of the service, the Fund will issue an invoice to the teacher itemizing the purchase price of the creditable service.

Approved Leaves of Absence

Certain leaves of absence may count toward your retirement. The Fund is generally able to recognize leaves of absence granted by a school corporation to a member for the following reasons:

- Sabbatical for improvement of professional skills through
 - ◆ advanced study;
 - ◆ work experience;
 - ◆ teacher exchange programs; or
 - ◆ approved educational travel
- Disability or sick leave;
- Pregnancy; or
- Adoption leave.

These are the only leaves the Fund can recognize for service credit. Please note that leaves granted under the Family and Medical Leave Act of 1993 (29 U.S.C. 2601 et. seq.) do not qualify the member for service credit for benefit purposes. These leaves are only eligible for credit for vesting and eligibility purposes to the extent required by the Family and Medical Leave Act. A member and the member's

employer should consider carefully whether a leave qualifies as any of the types for which Fund service credit is granted (i.e. sickness, pregnancy, etc.) before defining a leave as a family and medical leave since it can eliminate the opportunity for service credit to continue.

All of the above leaves are subject to the one-seventh ($1/7^{\text{th}}$) rule. Leave-of-absence service credit is limited to one-seventh of total years of service claimed by a member for retirement purposes.

Please note that if leaves are for advanced study, work experience, teacher exchange or approved educational travel, the member must return to a position covered by the Fund for the same amount of time as the leave. For example, if a member was granted a leave of absence for one year, then the member would have to return to teaching for one year before service credit could be granted.

Members who apply to the Fund for leave of absence service credit should fill out the top portion of the "Leave of Absence Verification" form. This form is available from our Member Service Center. If the leave is a pregnancy leave, we must receive a copy of the birth certificate of the child or a statement verifying the pregnancy from the physician. If the leave is an adoption leave, we must receive the court order finalizing the adoption. In addition, for all leaves of absence, a copy of the leave of absence agreement or the school board minutes authorizing the leave should accompany the form. Failure to enclose any of these documents will delay the request.

PERF-Covered Service

When a member has accounts in both TRF and PERF, the two accounts are combined at the time of retirement. The service and money in both funds are used to compute the retirement benefit (although no member may receive more than one year of service credit for any one fiscal year in the event of service covered by both PERF and TRF rendered during the same period). The fund covering the member immediately before retirement is responsible for paying benefits. Prior to retirement, members with PERF service and/or account balances may ask PERF to verify such service and/or account balance to TRF.

Additional or Enhancement Service Credit

Members may use three other sources of creditable service in the calculation of the State-provided pension portion of their retirement benefits:

- military service credit;
- out-of-state service credit; or
- private school service credit

All three of these other sources of creditable service are subject to the following two rules:

- Neither credit from military service, out-of-state service, nor private school service can count toward the 10 years of service necessary to vest a member for a benefit.
- Neither credit from military service, out-of-state service, nor private school service can be recognized or used to compute a benefit until a member has at least 10 years of Indiana teaching service.

Military Service Credit

Members attending college for their education training prior to their service in the United States Armed Forces or actively teaching prior to their service in the United States Armed Forces may be eligible for military service credit for some period of their military duty. Eligibility for military service credit depends on many factors.

- A member who began college prior to voluntary or involuntary induction into the military may be entitled to military service credit. Credit is limited to active military service.
- The maximum amount of creditable military service is six years.
- All years of military service during periods of hostility or demobilization count toward the six-year maximum.
- Military service that does not occur during periods of hostility or demobilization is limited to one year of creditable military service for each six years of creditable teaching service. A member must earn 10 years of creditable teaching service in Indiana and meet certain other requirements to be eligible for the creditable military service.
- There may be calendar limitations for returning to school for beginning teaching after separation from active military service.
- Active members who retire after June 30, 2001 may purchase up to two years of military service credit at actuarial cost if it is not otherwise granted under previous military service credit law.

If you apply for military service credit, you must provide a copy of your college transcripts and your "DD214" military form to the Fund. If you need assistance obtaining a "DD214," please contact our Member Service Center.

Under Indiana law, a member will be entitled to service credit and benefits in the amount and to the extent required by the Uniformed Services Employment and Reemployment Rights Act (38 U.S.C. 4301 et. seq.).

Out-of-State Service Credit

Creditable out-of-state service includes:

- Teaching in another state at a public school in which service is covered by a retirement fund comparable to TRF
- Service teaching military dependents performed on a regular and continuing basis inside or outside this country
- Service attributable to leaves of absence which meet the appropriate criteria required by Indiana Code, section 21-6.1-4-5

Teachers who became members of the Fund prior to July 1, 1981 and who have out-of-state service prior to July 1, 1981 have specific rights of transfer. Up to eight years of out-of-state service may be added to a member's creditable service at no cost to the member provided the member does not use such out-of-state service for benefits from the other state, and provided that the member has at least 10 years of creditable Indiana teaching service (not including PERF or military service).

Other out-of-state service not included in the rights of transfer above may be purchased. Eligibility to purchase occurs at the end of the first year of Indiana service (or return to service). If the member does not have the requisite 10 years of creditable in-state teaching service, the additional service may be purchased, but it will not be included in any retirement computation until the condition is met (even though this purchased service may appear on a member's Quarterly Statement). If employment is terminated before satisfying the eligibility requirements necessary to receive retirement benefits or the

member receives a monthly benefit for the same service in another tax-supported public employee retirement plan other than the Social Security Act, then the original purchase price paid, plus interest, may be refunded to the member (although in the case of payment by rollover from another qualified plan, the member may be able to roll it over further – the member should check with a financial or tax advisor).

If a member chooses to purchase out-of-state service credit, the member should contact the Fund for the necessary forms and information. The Fund will need a copy of the member's current Indiana contract in order to compute the purchase price. The member will be charged the amount determined by the Fund and its actuaries to be necessary to fund the prospective benefits arising from the additional service. The Internal Revenue Service places a limit on the amount of contributions a member can make to a qualified plan for any given year [IRS Code, section 408]. This limit may affect the way the out-of-state service credit purchase price must be paid. The Fund will accept a rollover from another qualified plan to fund the purchase price. Please contact the Fund's Member Service Center for more details.

Please note that the purchase price a member pays for out-of-state service credit is required to fund the benefit. As such, it is not a contribution to the member's Annuity Savings Account. Accordingly, the purchase price paid cannot be used at retirement in the same manner as the Annuity Savings Account can be used either to purchase an annuity or to be withdrawn.

Private School Service

A member may purchase private teaching service credit if the member has at least one year of credited service in the Fund and at least ten years of in-state credited service. As with out-of-state service, the purchase price a member pays for private school service credit is required to fund the benefit. As such, it is not a contribution to the member's Annuity Savings Account. Accordingly, the purchase price paid cannot be used at retirement in the same manner as the Annuity Savings Account can be used either to purchase an annuity or to be withdrawn.

IMPORTANT NOTE TO MEMBERS CONCERNING ALL SERVICE CREDIT

A member's service credit record receives an official evaluation only at the time of retirement. Any service that is granted to the member must conform to the laws in application at their time of retirement. If the service granted no longer conforms to the laws in application at the time of retirement, it can and will be revoked. Therefore, the Fund encourages all members to request a service credit analysis approximately two years in advance of their anticipated retirement. This action will allow time to seek additional verification of service, if necessary, and to discuss potential adjustments.

Retirement Benefits

General Description of Benefits

A member's retirement benefit may be made up of two parts:

- A monthly pension provided by the State, and
- An annuity based on that member's Annuity Savings Account (contributions plus earnings)

The State's pension portion is determined by salary history, years of service, age and the retirement option(s) selected. The annuity portion depends on the value of a member's Annuity Savings Account



at the time of retirement, age, payment alternative, and option selected. If you have further questions about this formula, please consult the “Calculator for Retirement Benefits” on our Internet Home Page.

Accrual Date

The Accrual Date (also called the Retirement Date) is the effective date a member’s retirement benefits commence. This date can be no earlier than the member’s last day of service with his or her employer. The member may choose a later date, but retroactive payments cannot exceed a maximum of six months.

Pensions and Social Security

Starting July, 1, 2001, retired members who are under the normal retirement age and reemployed in a “covered” position will have a fixed earnings limitation of \$25,000 calculated on a fiscal year for Teachers’ Retirement Fund employees and calculated on a calendar year for Public Employees’ Retirement Fund employees. A “covered” position is one that is covered by either the Teachers’ Retirement Fund or the Public Employees Retirement Fund.

Retired members who are already reemployed will not be “grandfathered” in under the older provision. In addition, all retiring members must wait at least ninety (90) days after their date of retirement before returning to service in a covered position to receive a pension benefit.

If a retired TRF member under the normal retirement age earns more than \$25,000 in a fiscal year, their retirement benefit from TRF will be stopped for the remainder of the fiscal year. [The benefit will resume at the beginning of the next fiscal year and continue until the \$25,000 earnings test is met for the fiscal year.]

Retired members who are reemployed in a covered position may earn a second retirement benefit for their service during reemployment. This benefit will be added to the original retirement benefit at the time of re-retirement.

The \$25,000 earnings test does not apply to retired members who are normal retirement age or older, or to a retired member who is reemployed by the Indiana Department of Education.

The employer’s mandatory contributions are to be made throughout the entire period of reemployment regardless of whether or not the employee’s retirement benefit has been suspended. The mandatory 3% employee contribution is only required to be made during the period that the employee’s retirement benefit has been suspended.

Please note that Indiana law requires a minimum of ninety days of separation from active employment upon retirement. Therefore when you retire, you must wait at least ninety days before performing service in a Fund-covered position. If you return to service within ninety days after retirement, your retirement benefits will be suspended until you retire for a second time.

Retirement Eligibility

Normal Retirement Eligibility

A member may become eligible for normal (unreduced) retirement:

At age 65 with at least 10 years of creditable service

At age 60 with at least 15 years of creditable service

At age 55 if age and creditable service total at least 85 (This scenario is referred to as the "Rule of 85")



Early Retirement Eligibility

Early retirement is available at age 50 with 15 or more years of creditable service. However, in this case, the retirement benefit will be reduced because payments begin at an earlier point in a member's life and will need to cover a longer period. For more detailed information on early retirement benefit calculations, please consult either the "Calculator for Retirement Benefits" or the "Retiring Member's Guidebook," both of which are available on our Internet Home Page.

Access to Fund Files and Records

Member Access to Files

A Fund member may have access to any information or data in his/her own file with the Fund. Fund records of individual members and membership information are confidential, except for the name and years of service of a fund member. Generally, a member's individual record may only be release to the member, personal representative of the member's estate, attorney-in-fact, or by court order.

To access this information, a member may call, write, or appear at Fund offices during regular office hours. Fund members will need to identify themselves by their Fund account number and other identification, and request the information needed. Please note that the Fund will not mail or FAX such information to an address other than the member's official address of record without a written request from the member.

NOTE: The Fund will not provide sensitive account information, such as the balance of the Annuity Savings Account, over the telephone for security purposes. A member requesting this information will receive the results in writing.

Public Access to Fund Records

Fund records of individual members and membership information are confidential.

Marriage Dissolutions by Fund Members

Qualified Domestic Relations Orders (QDROs)

The Fund is a governmental plan as defined by 29 U.S.C.A. § 1002(32) and is exempt from the provisions of the Employee Retirement Income Security Act (ERISA) pursuant to 29 U.S.C.A. § 1003(b)(1). As such, the Fund does not recognize QDROs. Under Indiana law, the benefits payable from the Fund are protected under Indiana Code, section 21-6.1-5-17. This provision states that the

benefits due a member from the Fund are exempt from seizure, levy, attachment, and other processes. Therefore, the Fund cannot make a portion of a member's benefits payable to anyone other than the member. The only exception to this rule would be the Internal Revenue Service.

Requests for Information

Often members will contact the Fund to determine the balance of their Annuity Savings Account at various points in their career. The Fund will provide this figure to the best of our ability, but the schedule of reporting salaries has changed over time. To obtain this information, the member may call or write the Fund. However, these figures will be provided to the requesting party only in writing and will not be communicated over the telephone for security purposes.

The Fund receives frequent requests from members to project retirement benefits from a past date forward. The Fund cannot comply with this request because of the large number of subjective variables that must be supplied by the member. However, the Fund will send the requesting party information and forms that will allow the requesting party to project retirement benefits from a past date.

Procedures

At the request of an estranged spouse or his or her legal representative, the Fund can only release information with the written consent of the member, subpoena or other court order.

Who is responsible for these cases?

Although the Fund will "flag" the file and make every effort to notify an ex-spouse when the member receives a monetary distribution, the ultimate responsibility for complying with the terms of the divorce decree and property settlement, lies with the parties to the divorce. An ex-spouse should inquire periodically, in writing, to determine the status on the account. Further, when a distribution is made to a member, the ex-spouse and his or her legal representative are solely responsible for ensuring that any settlements with respect to Fund benefits in a divorce dissolution are fulfilled by the member. With the exception of the Internal Revenue Service, the Fund can make payment of active Fund retirement benefits only to the member.

Withdrawing From the Fund

Who is Eligible to Withdraw



A member may withdraw from the Fund if:

- The member has terminated teaching service in the public schools of Indiana and is not on a leave of absence; and
- The member is not currently qualified both by service and age for retirement (including early retirement); and
- The member is not planning to return to teaching service in the Indiana public school system during the next academic school year; and
- The member is not currently employed in a position covered by the PERF and is not service and age eligible for retirement considering combined PERF/TRF service.

Suspension of Membership and Interest

The Fund's Board of Trustees may choose to suspend a member's membership in the Fund if:

- The member has not performed any service in a covered position during the past two years; and
- The member has not attained vested status in the Fund; and
- The value of the member's Annuity Savings Account is not more than two hundred dollars.

Suspension of membership occurs automatically five years after termination of covered employment by members with less than ten years of service.

Five years after suspension of membership, annual interest ceases to accrue on a member's Annuity Savings Account. The money reverts to the Fund unless and until claimed by the former member. In general, if the account is not claimed within three years following the member's death, the money reverts to the Fund permanently. Interest will not stop if the member is vested with 10 or more years of service (and, of course, remains a member of the Fund).

Rejoining the Fund and Reinstatement of Service Credit

Members who withdraw from the Fund may not reclaim their prior service credit without first returning to regularly employed service in the public schools of Indiana for one full year of service credit. A member in this situation should contact the Fund to make sure that any eligible service (meaning service that has not been taken to another retirement system and used to compute a benefit) is replaced in the member's account. A member who has withdrawn the assets in the Annuity Savings Account may not repay the assets in order to establish eligibility for a benefit or for any other reason.

Federal Withholding on Withdrawals

Taxable amounts withdrawn from the Fund are subject to mandatory 20% Federal withholding unless the member elects to rollover the taxable amount into an Individual Retirement Account (IRA) or other qualified plan.

The Tax Reform Act of 1986 imposes an additional 10% tax penalty on the taxable amount of the withdrawal if the withdrawing member is under age 59 ½ unless the member elects to rollover the taxable amount into an IRA or other qualified plan.

How Does a Member Withdraw?

Members may withdraw from the Fund by completing the "Voluntary Withdrawal Application," available from the Fund's Member Service Center.

Processing the withdrawal application may require six to eight weeks, so advanced planning is necessary to ensure timely payment. The Fund drafts checks only once each month. When the Fund receives a request for withdrawal, requesting cash payment instead of a rollover, the Fund must withhold 20% of the taxable amount. If the member is under the age of 59 ½, the member may be responsible for an additional 10% tax penalty on his or her own at tax time. If the member wants to have Indiana taxes deducted, the Fund requires a signed WH-4P, the state withholding form.

Disability

Members with five or more years of service credit who become disabled while in Indiana teaching service may apply for a disability benefit. There are two types of disability benefit:

- Classroom Disability Benefit
- Disability Retirement Benefit

Classroom Disability Benefit

Classroom disability requires approval by the Fund Physician and benefits are \$125.00 per month plus \$5.00 for each year of service over five years. Re-examination is required, as specified, by the Fund Physician until age 65. The member must be out of service for a continuous period of six months without pay before disability will be paid and no teaching service may be rendered while receiving the benefit.

In the event of death, all lump sum death settlements and/or survivor benefits are reduced by any classroom disability benefits paid to the member before death. As long as a member receives the classroom disability benefit, the account will continue to be invested with the Fund under the same guidelines applicable to an annuity savings account.

If the member elects to transfer from the disability benefit to a retirement benefit, all contributions and interest in the account will be used to determine a monthly benefit amount or could be withdrawn at the time of transfer.

If a member dies **before** transferring to the retirement benefit, the total disability payment made to the member would be deducted from any lump sum death settlement. If a member dies **after** classroom disability has been transferred to a retirement benefit, no disability payments will be deducted from any lump sum death settlements.

If a member transfers from a classroom disability to a retirement benefit, no money for classroom disability will be deducted from the member's retirement benefit.

The Fund can send a member the following information on a Classroom Disability: (1) a rough estimate of retirement benefits that the member could receive were he/she to transfer to a disability or regular retirement as of a given date; and (2) an information sheet that explains the retirement benefits.

Disability Retirement

To be eligible for a Disability Retirement benefit, the member's disability must occur after June 30, 1984 and proof of the member's qualification for Social Security disability must be furnished to the Fund. The Disability Retirement benefit is computed the same as a regular retirement benefit without reduction for early retirement options. The benefit may not be less than \$100 per month.

Any member applying for a Social Security disability benefit, who also intends to apply for a Fund Disability Retirement benefit, should immediately complete a Fund Disability Retirement application form and file this form with the Fund, even if the member has yet to receive an award letter from the Social Security Administration. A copy of the member's application to Social Security for a disability benefit should be attached to the Fund's Disability Retirement application form, but the member should never wait to file the Fund's Disability Retirement Application with the Fund until the Social Security award letter is received.

SOCIAL SECURITY DISABILITY MUST BE EFFECTIVE BACK TO THE TIME THE MEMBER LEFT INDIANA TEACHING IN ORDER TO QUALIFY FOR A FUND DISABILITY RETIREMENT BENEFIT.

Confirming Social Security Eligibility

The Fund is required to confirm, at least once each year, that a member continues to remain eligible for Fund Disability Retirement benefits due to the member's continuing qualification for Social Security disability benefits.

Accordingly, the member must sign a "Consent for Disclosure of Information" form authorizing the Social Security Administration to release information to the Fund verifying the member's eligibility to receive Social Security disability benefits.

The ability of the Fund to continue a member's benefits without interruption will depend on the prompt return of the "Consent for Disclosure of Information" form, properly completed and signed by the member. A member's signed "Consent for Disclosure of Information" form should be returned to the Fund within 30 days of the date of the request letter from the Fund in order to prevent any interruption in Fund benefits.

A "Consent for Disclosure of Information" that is effective until revoked in writing by the member will authorize the Social Security Administration to confirm the member's disability to the Fund each year, as necessary, without the member having to sign a new form each year. This method is a more certain way of protecting against any interruption in Fund benefits.

Death Payments on Active Member Accounts

Members need to prepare for the event that they pass away before becoming eligible for retirement benefits. When the Fund is notified of the death of an active member, the Fund determines whether the member had designated beneficiaries to receive the member's Annuity Savings Account and any other benefits to which they may be entitled. Depending on the situation, the Fund sends various forms, among which may be:

- Affidavit of Distributee for Death Benefit of Deceased Member (if no beneficiary and no estate is opened)
- Application for Withdrawal from the Fund Due to the Death of Member (if beneficiary is spouse)
- Claim for Refund Due to Death (when beneficiary is other than spouse)
- Claim for Refund Due to Death (when estate will receive the money)
- Consent to Transfer (for the Department of Revenue, Inheritance Tax Division)

The Fund requires a copy of the Death Certificate.

When a teacher dies prior to retirement or withdrawal, the designated beneficiary or estate is entitled to a lump sum settlement of the member's Annuity Savings Account balance. However, if a person dies while on Classroom Disability, the Annuity Savings Account to be distributed to the designated beneficiary or estate will be reduced by the amount of any Classroom Disability benefits paid to the member before death. It is the responsibility of the designated beneficiary(ies) or the estate to claim the account balance.

Member's Surviving Spouse or Dependents May be Entitled to a Monthly Benefit

The member's surviving spouse or dependents, if any, may be entitled to a monthly benefit. Such benefits are available only if the member was a:

- Teacher-member with at least 15 years of creditable service at the time of death

- Teacher-member with at least 10 but less than 15 years of creditable service and was at least 65 years old at the time of death
- Legislator-member with at least 10 years of creditable service at the time of death

Moreover, if the survivor is a spouse, the marriage must have been at least 2 years in duration in order to meet benefit eligibility criteria. If there is no eligible surviving spouse, but there is a surviving dependent of the deceased member, then this dependent is eligible to receive a monthly benefit until the attainment of age 18 or death, whichever is earlier. However, if a dependent is permanently and totally disabled (using disability guidelines established by the Social Security Administration) at the date of attaining age 18, the monthly benefit is payable until the date the dependent is no longer disabled (using disability guidelines established by the Social Security Administration) or dies, whichever is earlier. In the case of multiple surviving dependents, the benefit is computed on an actuarial basis for monthly benefits according to the age of the surviving dependents.

If the member is survived by one or more designated beneficiaries not entitled to a monthly survivor benefit, then the amount in the Annuity Savings Account is distributed to those beneficiaries and a surviving spouse or surviving dependent is not entitled to an annuity from or a lump sum payment of the member's Annuity Savings Account as part of the survivor benefit.

No payment will be made to an individual under age 18 until court-appointed guardianship is established.

Fund Payments to a Trust

ISTRF can direct deposit to a revocable trust. [IC 5-10.2-4-7(d)] A member can designate a trust as their pension benefit direct deposit financial institution. The payee must be a **revocable trust** and the member must have the ability to access the funds at any time without condition. ISTRF will not direct deposit pension benefits into trusts that do not meet these criteria.

In order to process the retirement application or direct deposit application, ISTRF will need the a copy of the trust instrument to ensure compliance with Indiana law or a sworn affidavit identifying the trust and that it complies with the terms set forth in [IC 5-10.2-4-7(d)].

If the terms or conditions or the designated trust payee instrument change, the member must immediately notify ISTRF and provide a copy of the new and amended trust instrument. These rules apply to ISTRF retirement benefits. Payments of ISTRF death benefits to a trust have different rules.

Trust as a Death Beneficiary

A member who intends for their death benefit to be paid to a trust must designate the trustee as the beneficiary using the "Request for Member Data Change" form. The designation must be in the following form:

[Name of trustee, Trustee or then trustee of the name of member type of trust]
 Example: John R. Doe, Trustee or then trustee of the Mary S. Smith Living Trust

The member must notify ISTRF in writing of the mailing address of the trustee, co-trustee or successor trustee.

It is the sole responsibility of the Fund member to notify the ISTRF of any pertinent change involving their trust or trustee.

A copy of the trust instrument is **NOT** needed by ISTRF.

ISTRF's sole responsibility is to pay the death benefit to one trustee named in the Fund member's beneficiary designation. ISTRF will discharge this responsibility according to the

information that has been provided to ISTRF by the Fund member. ISTRF is **NOT** responsible for any problem arising from a change involving a trust or a trustee if ISTRF has not been notified to the change.

ISTRF is not responsible for ensuring the validity of the trust or for carrying out the terms of the trust in any way.

ISTRF is not responsible in any way for a trustee's unauthorized exercise of ownership or control over the funds. It is the sole responsibility of the trustee to administer the funds in a manner consistent with the trustee's powers, duties, and fiduciary responsibilities.

Should a named trustee pre-decease the member or withdraw as trustee, a Successor Trustee's Certification must be received by ISTRF before any distribution will be made.

If, upon the death of a member, the named trustee cannot be located, is incapacitated, deceased or refuses to receive the death benefit as trustee of the trust, ISTRF will treat the matter as though the Fund member had designated a non-trustee as the beneficiary and the designated beneficiary has pre-deceased the Fund member. The death benefit will be paid to a secondary beneficiary or to the member's estate.

The Internal Revenue Service assigned EIN Number of the trust should be included for processing. ISTRF cannot make a distribution to a trust without a proper EIN identifying the payee trust.

Detailed Tax and Financial Advice

If a member needs detailed advice about pre-retirement tax planning or detailed investment advice, the member would be well served to seek out the advice of a tax-expert and/or an expert investment advisor.

Death Payments on Inactive Member Accounts

If an inactive member dies while eligible to receive retirement or disability benefits, but before applying for those benefits, then the member's surviving spouse or surviving dependent(s) is entitled to survivor benefits in the same amount and under the same conditions as apply to deaths of active members.

If the inactive member dies while not eligible for retirement, then the sum payable to the member upon suspension of membership shall be paid to the member's surviving designated beneficiary or to the member's estate if no beneficiary is designated.

All these sums in the account of a deceased inactive member shall be forfeited if no beneficiary or other person entitled to the money claims it within three years after the member's death. However, if the three-year statute-of-limitations has expired, the beneficiary may petition the Board of Trustees requesting a waiver of the statute-of-limitations. Waivers may be granted under certain circumstances for members dying after August 31, 1992. For more information concerning the circumstances, please contact the Fund's Legal Department.

Who May Act for the Member

Power of Attorney

The Fund will honor requests and directions from a lawful holder of a Power of Attorney document for a member. This individual is known as the attorney-in-fact. The Power of Attorney must grant the attorney-in-fact the authority to transact business of the type requested. For instance, if the Power of Attorney document grants the attorney-in-fact broad discretion to handle all banking and financial transactions, the Fund will accept directions regarding benefit check delivery. If, on the other hand, a

member grants what is known as a Health Care Power of Attorney, the attorney-in-fact does not have the authority to direct the Fund on any matter, even something as simple as an address change.

If a member wishes to name a Power of Attorney *for Fund business only* without incurring the expense of legal counsel, the Fund provides a Power of Attorney form. However, please note that this Power of Attorney will apply only to Fund business and is not valid for general public use.

If an attorney-in-fact attempts to act on behalf of a member, the Fund will require a copy of the Power of Attorney. If a copy of the Power of Attorney is not in the member's file, the requested transaction will be denied. The denial will then be returned to the attorney-in-fact requesting proof of legal authority to act on behalf of the member.

Please note that Indiana law has very specific requirements for a Power of Attorney to be validated. The member's signature must be witnessed and attested to by a Notary Public. Further, the Notary Public must sign the document along with his or her printed name and notarial seal.

A member retains the right to act on the member's own behalf even if powers are also granted to an attorney-in-fact.

Guardians

The Fund will honor requests and directions from a legally appointed guardian of the estate of a member.

Before the Fund can recognize acts of a guardian, the Fund must receive copies of the Letters of Guardianship and/or other official court documents appointing the guardian. Only the guardian of the "estate" of the member, the person with the power to handle financial matters (as opposed to the guardian of the "person," who is responsible for the physical well being of a member), may direct the Fund.

Guardians are appointed only when a member is declared incompetent by a court of law. Thus, the member, while under an active guardianship, is unable to act on the member's own behalf. The Fund will not recognize acts of these members until provided proof that the member's right to act on his or her own behalf has been restored.

Settling Disputes

Most disputes are settled by communication between the parties involved. In case no agreement is reached, there is an appeal procedure available. Members who believe that they have been aggrieved by an action of the Fund may contact the Fund's Legal Department for information on the appeals process.

Health Insurance

Medicare supplement group health insurance is available to the Fund's retirees and spouses age 65 or over. A member will receive information on the available plan, options and costs at the time of retirement.

Other Fund Services

The Fund's mission is to prudently manage the Fund in accordance with fiduciary standards, provide quality benefits, and deliver a high level of service to our members, while demonstrating responsibility to the citizens of the State. To promote this mission, the Fund retains the services of counselors, accountants, investment advisors, attorneys, and administration personnel who are ready to aid members and the public at all times.

The Fund's staff can help with:

- Status of member accounts
- Direct electronic deposits
- Tax withholding policies
- Taxable and non-taxable portions of benefits
- Service credit analysis
- Interpretation of Indiana law as it applies to the Fund

If a member needs help with any of these topics, the member may:

- Call (317) 232-3860 or toll-free at (888) 286-3544 to contact the Member Service Center
- Visit the Fund in person by making an appointment. The Fund's offices are located on the third floor of the ISTA Building in Indianapolis. The street address is 150 West Market Street (corner of Market Street and Capitol Avenue), east of the State House. The Fund's office hours are 8:00 a.m. to 4:30 p.m., Monday through Friday (except for holidays). Appointments are strongly encouraged to maximize the efficiency of our assistance.
- Access the Fund's Internet Home Page at: <http://www.in.gov/trf/>. Further, the Fund can receive electronic mail at: trf@state.in.us.

The following information is available on the Fund's Internet Home Page:

- Calculator for Retirement Benefits
- Calculate Your Retirement Benefits – Interactive Web Page
- Investing Your Annuity Savings Account – booklet
- Map to the Fund's Office
- Active Member's Handbook
- Lost Members List
- Inactive Members List
- Past Editions of the *Primer* – the Fund Newsletter

